



COMMONWEALTH of VIRGINIA

DEPARTMENT OF MENTAL HEALTH, MENTAL RETARDATION AND SUBSTANCE ABUSE SERVICES

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MEMORANDUM

To: CSB Executive Directors and CSB Fiscal Directors

From: Joy Yeh, CPA, Ph.D.
Assistant Commissioner, Finance and Administration

Subject: CSB Audit Reports- Streamlining Efforts

Date: October 30, 2007

As you are aware, the Department of Mental Health, Mental Retardation and Substance Abuse Services annually reviews all audit reports applicable to community services boards and their contractual programs. This review is conducted in order to fulfill our compliance responsibilities with regard to state and federal funds as well as our general oversight responsibilities for community services boards.

In an effort to streamline and speed up the process of CSBs completing their audit reports and review by the Department, we are suggesting the following changes. Some of these changes are already in effect but we would like to take this opportunity to summarize these again for you. Please be sure to discuss these issues with your independent CPA firm and contract programs, if applicable.

- 1. Board Approval Not Required.** CSBs need not obtain Board approval of final audit reports prior to submission to the Department. The completion of the audit by a CPA firm signifies, via their opinion, that the audit was completed in accordance with professional standards. If the CSB's policies require Board approval or Finance Committee approval of the audit report, DMHMRSAS encourages CSBs to consider working with their Board or Finance Committee to modify this requirement. This does not imply that the auditor should not review the audit report with the Board or Finance Committee. This is still a good practice but audit reports could be submitted to DMHMRSAS and the APA prior to the auditor meeting with the Board to ensure timely submission.

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2. **Fourth Quarter Report Reconciliation.** Effective for FY 2007, the fourth quarter report reconciliation with the audit report is not required to be included in audit reports. These should be sent separately to our office by December 31 each year. This is only a requirement for operating CSBs and BHAs. This does not apply to local government CSBs. This was previously communicated to CSB Fiscal Directors via email on August 8, 2007.
3. **Deadline for Submission of Audit Reports (Nov 30).** This remains on November 30 each year for operating CSBs, BHAs, CSB Related Parties, and CSB Contract Agencies. These reports should be emailed as an attachment via a pdf file or a CD may be mailed. Hard copies should not be sent. Local government CSBs need not submit audit reports, except for contract agencies, because we obtain these reports from the various local government websites. The email address for submitting audit reports is obfr@co.dmhmrzas.virginia.gov.
4. **Auditor of Public Accounts.** CSBs must continue to submit audit reports to the Auditor of Public Accounts. Effective with FY 2007, audit reports may be submitted to the APA via email as a pdf file to localgovernment@apa.virginia.gov.
5. **Control Deficiencies Communication.** Statement on Auditing Standards No 112, requires auditors to communicate control deficiencies (significant deficiencies and material weaknesses) to CSBs. These deficiencies should be reported by the auditor in the Schedule of Findings and Questioned Costs as well as the CSB's Single Audit Reports, if applicable. DMHMRSAS will review any deficiencies to ensure that the CSB has responded with an appropriate plan of correction.
6. **Schedule of Expenditures of Federal Awards.** For operating CSBs that are not required to have a Single Audit, DMHMRSAS requests that audit reports include a Schedule of Expenditures of Federal Awards. CSBs may submit this information as a supplemental schedule or as part of the notes to the financial statements. We use this information to update the CSB Annual Report and for our oversight purposes.
7. **DMHMRSAS Desk Review Reports (Exception Based).** In the past, we have issued a desk review report as a result of our review of every CSB audit report. We will no longer be doing this for FY 2007. Reports will only be issued to CSBs on an exception basis. That is, if we find issues related to compliance and/or control deficiencies that have not been responded to appropriately in a plan of correction, we will send the CSB a letter. We anticipate completing the entire review process by Feb 28 each year or sooner.
8. **CSB Annual Report.** We will continue to issue this report, which summarizes financial statistics from CSB audit reports. We will issue this report by March 31 or sooner each year (subject to timely receipt of all CSB audit reports).

Thank you for your consideration of these matters. We hope many of these will help speed up and streamline the audit process. Please feel free to communicate any questions or additional suggestions with Ken Gunn, CPA, Director, Office of Budget and Financial Reporting at ken.gunn@co.dmhmrzas.virginia.gov or (804) 786-1555.

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